

**General Government
Kentucky Retirement Systems**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,951,700	19,958,100	25,293,100		
Total General Fund	11,951,700	19,958,100	25,293,100		
Restricted Funds					
Balance Forward	1,410,200				
Non-Revenue Receipts	19,789,800	23,901,900	25,206,100	22,107,300	23,268,300
Total Restricted Funds	21,200,000	23,901,900	25,206,100	22,107,300	23,268,300
TOTAL SOURCE OF FUNDS	33,151,700	43,860,000	50,499,200	22,107,300	23,268,300
EXPENDITURES BY CLASS					
Personnel Cost	29,508,800	40,077,000	46,695,200	18,597,100	19,737,100
Operating Expenses	3,359,000	3,235,200	3,256,200	3,235,200	3,256,200
Capital Outlay	283,900	547,800	547,800	275,000	275,000
TOTAL EXPENDITURES	33,151,700	43,860,000	50,499,200	22,107,300	23,268,300
EXPENDITURES BY FUND SOURCE					
General Fund	11,951,700	19,958,100	25,293,100		
Restricted Funds	21,200,000	23,901,900	25,206,100	22,107,300	23,268,300
TOTAL EXPENDITURES	33,151,700	43,860,000	50,499,200	22,107,300	23,268,300

Kentucky Retirement Systems administers three retirement systems which are qualified governmental defined benefit plans under Section 401(a) of the Internal Revenue Code: Kentucky Employees Retirement System (state employees, universities, health departments, certain boards) governed by KRS 61.510-61.705; County Employees Retirement System (employees of cities, counties, local government entities, and classified employees of school boards) governed by KRS 78.510-78.852; and State Police Retirement System (uniformed officers of Kentucky State Police) governed by KRS 16.505-16.652. Medical insurance benefits are governed by KRS 61.701-61.702. The systems were established in the 1950's to provide a pension that, when coupled with Social Security, would provide the career employee with sufficient income to maintain his or her pre-retirement standard of living.

Kentucky Retirement Systems is administered by a nine-member board of trustees consisting of the Secretary of the Personnel Cabinet, three members appointed by the Governor, and five members elected by employees and retirees of the three retirement systems. The Board is responsible for the collection and investment of contributions. Members of the Board are considered fiduciaries and are required to administer the funds in the sole interest of the members and beneficiaries of the systems. The Board is required to invest the funds under the "prudent person" rule. Investments are diversified among common stocks, government and private bonds, real estate and cash equivalents. An annual audit is performed.

Employers contribute a percentage of gross payroll recommended by the actuarial valuation. However, the General Assembly may adopt a rate that varies from the actuarial valuation. Employees contribute at a fixed rate set in the statutes. The assets of the system are considered trust funds. All expenses are paid from the trust.

Policy

Restricted Funds providing for the operations of the Kentucky Retirement Systems in the Executive Budget are transferred from trust funds held by the System for the benefit of members and beneficiaries. The trust funds include investment

earnings, employee contributions, and employer contributions from agencies supported by the General Fund, the Road Fund, Federal Funds, and Restricted Funds.

The Executive Budget provides a current year Restricted Fund appropriation totaling \$1,235,000 to support the on-going operations of the agency.

The agency has requested a direct General Fund subsidy in the next biennium to support the dependent subsidy of the Commonwealth's self-insured health insurance program. The budget recommendation incorporates the increase in the recommended employer contribution rates for the next two years.